

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Bowen Analyst: Darrine Distefano Bill Number: SB 2051

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 08-28-2002

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: 1977 Information Practices Act/Specified Provisions Shall Not Apply To Determination Of Tax, Penalty, Interest, Fine, Forfeiture or Other Offense/FTB Disclosure of Tax Return Information to City Tax Officials

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 22, 2002.

X STILL APPLIES.

X OTHER - See comments below.

SUMMARY

This bill would:

- express the Legislature's intent that the Franchise Tax Board (FTB) will implement the current law that allows FTB to provide city tax officials with tax return information.
- prohibit taxpayers from amending their income tax returns using the Information Practices Act of 1977 (IPA).

SUMMARY OF AMENDMENT

The August 28th amendments added the legislative intent discussed below to this bill. As a result, additional discussion is provided under the following headings: **Purpose of the Bill, State Law, History, This Bill, Implementation Considerations, Fiscal, and Economic Impact**. The previous analysis of the bill relating to the IPA provisions dated February 22, 2002, still applies.

PURPOSE OF THE AMENDMENT

According to the Assembly Appropriations Committee, the purpose of this provision is to restore the budget change FTB proposed to the current year's (2002/03) spending authority by enacting a more recent expression of the Legislature's intent.

Board Position:

<u>X</u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> </u> PENDING

Legislative Director

Date

Brian Putler

9/5/02

POSITION

Support.

On March 6, 2002, FTB voted 2-0 to sponsor the language of this bill as introduced February 22, 2002.

ANALYSIS

STATE LAW

Current law (AB 63; Stats. 2001, Ch. 915), effective January 1, 2002, allows FTB to disclose to city tax officials certain income tax return information, such as: the taxpayer's name, address, social security or taxpayer identification number, and business activity code. The department's costs to implement this disclosure process and disseminate the tax return information is to be reimbursed by the city requesting the information.

HISTORY/BACKGROUND

FTB's analysis of AB 63 reflected a fiscal impact due to FTB's departmental costs to implement the disclosure process during fiscal year 2001/02 and administer the disclosure process during fiscal year 2002/03. Because the bill did not contain an appropriation, upon enactment, FTB issued a letter to Department of Finance (Section 28.5 letter to DOF) requesting an augmentation of the 2001/02 current year budget for the needed expenditures and authority to transfer the funds that would be reimbursed by the requesting city for payment of those expenditures. In addition, FTB submitted a budget change proposal (BCP #16) that would add ongoing permanent expenditures to FTB's budget for fiscal year 2002/03 and the applicable spending authority. This would permanently allow FTB to transfer the funds that would be reimbursed by the requesting city for the approved departmental costs. This BCP was approved and included in the Governor's Budget. However, during the ensuing budget subcommittee hearings and budget process the BCP was denied.

THIS BILL

This bill expresses the Legislature's intent that the FTB will implement the current law that allows FTB to provide city tax officials with tax return information.

IMPLEMENTATION CONSIDERATION

While this bill would implicitly indicate the Legislature's intent to have the spending authority for the current year (2002/03) restored, to achieve this authority the department would still be required to submit a Section 28.5 letter for this current year (2002/03) and a BCP for 2003/04 for the expenditures to be permanently added to FTB's budget. This process is time consuming, additional work for FTB staff, and still provides for uncertainty. Until the BCP is approved and it becomes a permanent part of FTB's budget, it is again subject to denial in the budget process next year.

LEGISLATIVE HISTORY

SB 1961 (Polanco, 2001/2002) is identical to this bill except it does not contain the provisions relating to the IPA. This bill has been sent to enrollment.

FISCAL IMPACT

This bill would not increase departmental costs. However, the intent is to restore the expenditures reflected in FTB's BCP #16 (\$397,000) to FTB's budget for 2002/03.

ECONOMIC IMPACT

This bill would not affect state income tax revenues.

LEGISLATIVE STAFF CONTACT

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